

HOUSE BILL NO. 224

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE HAWKER

Introduced: 1/19/16

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the governor's submission of a projection of anticipated revenue and**
2 **expenditures and proposal for enactment of an individual broad-based tax; relating to**
3 **income of the Alaska permanent fund; relating to the disposition of income of the Alaska**
4 **permanent fund; relating to the calculation of permanent fund dividends; relating to the**
5 **dividend fund; and providing for an effective date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1.** AS 37.07.020 is amended by adding new subsections to read:

8 (f) In addition to the submissions required under (a) and (b) of this section, the
9 governor shall review estimated and actual state revenue and estimated and actual
10 state expenditures for the current fiscal year and, by the 30th day of each regular
11 session, submit to the legislature a projection of the fiscal year end surplus or deficit.
12 If the projection for the current fiscal year is an anticipated deficit, the governor shall
13 also submit to the legislature a proposal to increase state revenue or reduce state

1 expenditures to achieve, by the end of the fiscal year, a balance of state revenue and
2 expenditures.

3 (g) If the amount available for distribution under AS 37.13.140 is insufficient
4 to satisfy any net deficit of unrestricted general funds in the proposed capital and
5 operating budgets submitted under this section, by the 15th day of the next regular
6 session, the governor shall submit to the legislature a proposal for enactment of an
7 individual broad-based tax to make up any deficit remaining after expending the
8 money available for distribution under AS 37.13.140.

9 * **Sec. 2.** AS 37.13.140 is amended to read:

10 **Sec. 37.13.140. Income and distribution.** Net income of the fund includes
11 income of the earnings reserve account established under AS 37.13.145. Net income
12 of the fund shall be computed annually as of the last day of the fiscal year in
13 accordance with generally accepted accounting principles, excluding any unrealized
14 gains or losses. **Money** [INCOME] available for distribution equals **4.5** [21] percent of
15 the **average market value** [NET INCOME] of the **balance of the** fund for the **first**
16 **[LAST] five of the six fiscal years immediately preceding the current fiscal year,**
17 **including any unrealized gains or losses, but excluding that portion of the**
18 **principal of the fund attributed to the settlement of State v. Amerada Hess, et al.,**
19 **1JU-77-847 Civ. (Superior Court, First Judicial District) on July 1, 2004, as**
20 **determined at the end of the fiscal year in accordance with generally accepted**
21 **accounting principles. The distribution under this section** [FISCAL YEARS,
22 INCLUDING THE FISCAL YEAR JUST ENDED, BUT] may not exceed net income
23 of the fund for the fiscal year just ended plus the balance in the earnings reserve
24 account described in AS 37.13.145.

25 * **Sec. 3.** AS 37.13.145(b) is amended to read:

26 (b) At the end of each fiscal year, **after an appropriation under (e) of this**
27 **section,** the corporation shall transfer from the earnings reserve account to the
28 dividend fund established under AS 43.23.045, **the amount** [50 PERCENT OF THE
29 INCOME] available for distribution under AS 37.13.140.

30 * **Sec. 4.** AS 37.13.145(d) is amended to read:

31 (d) **Income** [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]

1 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,
 2 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,
 3 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the
 4 outcome of this case, or interest earned on the money, or on the earnings of the money
 5 shall be treated in the same manner as other income of the Alaska permanent fund,
 6 except that it is not available for distribution under AS 37.13.140 [TO THE
 7 DIVIDEND FUND OR FOR TRANSFERS TO THE PRINCIPAL UNDER (c) OF
 8 THIS SECTION], and shall be annually deposited into the Alaska capital income fund
 9 (AS 37.05.565).

10 * **Sec. 5.** AS 37.13.145 is amended by adding a new subsection to read:

11 (e) The legislature may appropriate money available for distribution under
 12 AS 37.13.140 to satisfy any net deficit of unrestricted general funds in the proposed
 13 capital and operating budgets submitted under AS 37.07.020 for the succeeding fiscal
 14 year.

15 * **Sec. 6.** AS 43.23.025(a) is amended to read:

16 (a) By October 1 of each year, the commissioner shall determine the value of
 17 each permanent fund dividend for that year, subject to (c) of this section, by

18 (1) determining the total amount available for dividend payments,
 19 which equals

20 (A) the amount [OF INCOME OF THE ALASKA
 21 PERMANENT FUND] transferred to the dividend fund under
 22 AS 37.13.145(b) during the current year;

23 (B) [PLUS THE UNEXPENDED AND UNOBLIGATED
 24 BALANCES OF PRIOR FISCAL YEAR APPROPRIATIONS THAT LAPSE
 25 INTO THE DIVIDEND FUND UNDER AS 43.23.045(d);

26 (C)] less the amount necessary to pay prior year dividends from
 27 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and
 28 43.23.055(3) and (7);

29 (C) [(D)] less the amount necessary to pay dividends from the
 30 dividend fund due to eligible applicants who, as determined by the department,
 31 filed for a previous year's dividend by the filing deadline but who were not

1 included in a previous year's dividend computation;

2 (D) [(E)] less appropriations from the dividend fund during the
 3 current year, including amounts to pay costs of administering the dividend
 4 program and the hold harmless provisions of AS 43.23.075;

5 (2) determining the number of individuals eligible to receive a
 6 dividend payment for the current year and the number of estates and successors
 7 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

8 (3) dividing the amount determined under (1) of this subsection by the
 9 amount determined under (2) of this subsection.

10 * **Sec. 7.** AS 43.23.025 is amended by adding a new subsection to read:

11 (c) Notwithstanding the amount calculated under (a) of this section, the
 12 amount of each permanent fund dividend may not exceed \$2,000, and, based on the
 13 combined value of the constitutional budget reserve fund (art. IX, sec. 17, Constitution
 14 of the State of Alaska) and the statutory budget reserve fund (AS 37.05.540),
 15 excluding unrealized gains or losses, determined in accordance with generally
 16 accepted accounting principles on December 31 of the calendar year immediately
 17 preceding the current year, the amount of each permanent fund dividend shall be
 18 further limited as follows:

19 (1) if the combined value is less than \$2,500,000,000, then the amount
 20 of each permanent fund dividend may not exceed \$250;

21 (2) if the combined value is at least \$2,500,000,000 but less than
 22 \$5,000,000,000, then the amount of each permanent fund dividend may not exceed
 23 \$500;

24 (3) if the combined value is at least \$5,000,000,000 but less than
 25 \$7,500,000,000, then the amount of each permanent fund dividend may not exceed
 26 \$750;

27 (4) if the combined value is at least \$7,500,000,000 but less than
 28 \$10,000,000,000, then the amount of each permanent fund dividend may not exceed
 29 \$1,000;

30 (5) if the combined value is at least \$10,000,000,000 but less than
 31 \$12,500,000,000, then the amount of each permanent fund dividend may not exceed

1 \$1,250;

2 (6) if the combined value is at least \$12,500,000,000 but less than
3 \$15,000,000,000, then the amount of each permanent fund dividend may not exceed
4 \$1,500;

5 (7) if the combined value is \$15,000,000,000 or more, then the amount
6 of each permanent fund dividend may not exceed \$2,000.

7 * **Sec. 8.** AS 43.23.045(d) is amended to read:

8 (d) Unless specified otherwise in an appropriation act, **if appropriations from**
9 **the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) have**
10 **not been repaid, the unexpended and unobligated balance of the dividend fund**
11 **shall be deposited into the budget reserve fund under art. IX, sec. 17(d),**
12 **Constitution of the State of Alaska, on June 30, before the transfer under**
13 **AS 37.13.145(b). If previous appropriations from the budget reserve fund (art.**
14 **IX, sec. 17, Constitution of the State of Alaska) have been repaid,** the unexpended
15 and unobligated balance of [AN APPROPRIATION TO IMPLEMENT THIS
16 CHAPTER LAPSES INTO] the dividend fund **shall be transferred to the statutory**
17 **budget reserve fund (AS 37.05.540) on June 30, before the transfer under**
18 **AS 37.13.145(b)** [OF THE FISCAL YEAR FOR WHICH THE APPROPRIATION
19 WAS MADE AND SHALL BE USED IN DETERMINING THE AMOUNT OF
20 AND PAYING THE SUBSEQUENT YEAR'S DIVIDEND AS PROVIDED IN
21 AS 43.23.025(a)(1)(B)].

22 * **Sec. 9.** AS 37.13.145(c) is repealed.

23 * **Sec. 10.** This Act takes effect January 1, 2017.